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Iran Arms Profits Were Diverted to Contras; Poindexter Resigns, NSC's North Is Fired

By David Hoffman
Washington Post Staff Writer

President Reagan yesterday announced the resignation of national security adviser Vice Adm. John M. Poindexter and the firing of a key deputy, Lt. Col. Oliver L. North, following the disclosure of a clandestine web of financial transactions in which profits from the sale of American weapons to Iran were diverted to help rebels fighting the Nicaraguan government.

A shaken and grim-faced Reagan, confronting the most serious crisis of his presidency, told reporters "I was not fully informed" about "one of the activities undertaken" in the secret weapons shipments to Iran. "This action raises serious questions of propriety," he said.

Attorney General Edwin Meese III announced that \$10 million to \$30 million in profits from weapons shipped to Israel and subsequently sold to Iran were deposited in

Swiss bank accounts and "made available to the forces in Central America" fighting the Sandinista government of Nicaragua. The money was diverted during a period in which Congress had cut off U.S. military aid and prohibited American officials from helping the rebels.

Administration sources said that Justice Department officials discovered the diverted funds late last week when they were attempting to piece together a chronology of events in the Iran arms shipments. According to an administration account of the discovery, a secret intelligence "intercept" quoted Iranians and perhaps others discussing the price of the weapons in amounts that appeared to be far greater than their actual value, triggering a search for the profits and the reason they were diverted, the sources said.

The departures of Poindexter and North occurred on a day of deepening contradictions and disappointment at the White

House, where officials were reeling from three weeks of disclosures about the secret Iran operation that have seriously damaged Reagan's credibility and set the stage for renewed confrontation with Congress.

Congressional leaders said they would conduct their own investigations into the Iran and Nicaraguan operations, and some said Reagan's foreign policy is in "total disarray." Meese said he would also pursue his investigation, and Reagan announced he would create a special review board to examine the role and procedures of the National Security Council staff. Sources said former Senate Armed Services Committee chairman John Tower (R-Tex.) would be named today to chair the panel.

The statements by Meese and others rekindled questions about how aware Reagan was of the activities of his administration's senior officials. Meese repeatedly said Reagan knew nothing about the oper-

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ation. Meese said North was the only person in the U.S. government who "knew precisely" of the transactions, but added that Poindexter "did know that something of this nature was occurring, but he did not look into it further." Meese said later that "there may have been others who may have been working in some capacity" with North. Meese also said that Poindexter acknowledged to him on Monday that he knew some aspects of the Nicaraguan operation and told Meese then that he intended to resign.

Meese said former national security adviser Robert C. McFarlane, Poindexter's predecessor, also knew of the operation.

In London, where he was making a speech, McFarlane said in a statement that, "in May of this year in connection with a mission to Iran I was advised by Col. North in general terms that such a [transfer] had taken place after my departure from government. Based upon the summary account I took it to have been a matter of approved policy sanctioned by higher authority. These transfers were reported to have taken place this year. At no time was it raised or considered during my service in government."

Many others inside the administration and outside questioned Meese's statement that the Nicaraguan operation was kept secret from other senior policymakers in the government and from the U.S. intelligence community. In an interview with NBC News last night, former secretary of state Henry A. Kissinger said, "I cannot imagine a lieutenant colonel or even an admiral like Poindexter doing this without somebody knowing."

The administration sources said a leading candidate to replace Poindexter is Navy Secretary John F. Lehman Jr. Other candidates are said to include former NATO ambassador David Abshire; former United Nations ambassador Jeane J. Kirkpatrick and Undersecretary of State for Political Affairs Michael H. Armacost.

Reagan pledged that "future foreign and national security policy initiatives will proceed only in accordance with my authorization." His decision to create the special review board appeared to be a response to growing questions from senior State Department officials and members of Congress about whether the White House had overstepped the proper function of the National Security Council by running covert operations out of its basement offices in the West Wing.

Shortly after Reagan's announcements, State Department spokesman Charles E. Redman announced that Secretary of State George P. Shultz had prevailed in his effort to gain control of future U.S. policy toward Iran. Shultz designated Armacost to take charge of the department's effort to revamp the Iran initiative and seek release of Americans held in Lebanon.

Shultz has been the subject of intense speculation that he would leave the administration because of his opposition to the covert Iran arms sales, but yesterday he declared his support for Reagan's policy to reach out to factions in Iran, and said he intended to be "very much a part of the effort to bring them to fruition."

Reagan promised to make public the results of the administration investigation, and continued to insist that his basic policy toward Iran was not flawed.

"I'm deeply troubled that the implementation of a policy aimed at

resolving a truly tragic situation in the Middle East has resulted in such controversy," Reagan said. "As I've stated previously, I believe our policy goals toward Iran were well-founded. However, the information brought to my attention yesterday convinced me that in one aspect, implementation of that policy was seriously flawed."

After first saying that North "has been relieved of his duties" on the National Security Council staff, Reagan then said that "no one was let go; they chose to go." Meese said North may retire from the Marine Corps. According to one source who was present, when the congressional leaders were told that North was returning to the Marines, Secretary of Defense Caspar W. Weinberger announced immediately that he was not.

Meese announced that Poindexter's deputy, Alton G. Keel Jr., would assume the post of acting national security adviser until a successor is chosen. Keel immediately took over the duties, presiding yesterday over a high-level meeting on arms control.

According to the account provided yesterday by administration sources, Justice Department aides on Thursday were going over documents on the Iran arms sales in

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preparation for testimony to congressional intelligence panels by Director of Central Intelligence William J. Casey. After they found the intelligence intercepts indicating that money was diverted from the arms sales—which went through Israel—Meese went to Reagan on Friday and said he was concerned about the controversy. Reagan told Meese to pursue it, and the attorney general and other Justice Department aides interviewed North extensively over the week-end, officials said.

On Monday, Meese talked with knowing of the operation and not telling the president, and he told Meese he would probably have to resign. Meese then reported what he had found to Reagan and Vice President Bush, sources said.

Yesterday, Meese arrived in the White House West Wing for an early meeting with Reagan, chief of staff Donald T. Regan and Bush. Shortly thereafter word that "this is resignation day," as one aide put it, spread through the building because the president's scheduled meetings were suddenly canceled.

After receiving Poindexter's resignation, Reagan summoned congressional leaders to inform them, and described Poindexter as "like the captain of a ship who is not at the helm when the ship hits the sand bar—he still assumes responsibility."

Meese portrayed the president yesterday as having not been informed of key aspects in the Iran operation. Meese said the president "knew nothing" about the transfer of funds to Nicaragua. He said Reagan "didn't have complete information" about one arms shipment by Israel to Iran in November 1985. He said Reagan was informed "after the fact" that Israel had shipped weapons to Iran in August 1985, just before the release of the Rev. Benjamin Weir, who was being held in Lebanon.

Meese also raised as many questions as he answered about the precise nature of the transactions in which the Nicaraguan rebels, also known as contras, benefited. He suggested that the weapons were taken from U.S. stockpiles and shipped to Israel, where some Israelis, whom he did not identify, then sold them to Iran at an inflated cost.

The U.S. government was then reimbursed by Israel through the Central Intelligence Agency for the real cost of the weapons, while the profit was diverted to the Swiss bank accounts. Administration officials have said previously that about \$12 million in TOW antitank missiles and Hawk antiaircraft missile parts were transferred to Iran, and Meese reiterated that estimate yesterday.

Three weeks after the secret Iran arms shipments were first disclosed by a pro-Syrian Lebanese magazine, Meese offered a picture of the administration still struggling to find out what had occurred in the operation.

appeared to be more facts out there than we had already put together," he said. "And it was a matter, then, of the president requesting me to talk with everyone who had any participation at all, because one agency was doing one thing, another agency was doing another thing, there was very little paper work."

Meese was vague in responding to questions about the Iran and Nicaragua operations, stating frequently who was not told and what was not known, but skirting details about what his investigators had uncovered in interrogating North over the weekend.

A senior White House official said Meese got involved last Thursday because he had provided the original legal advice about the Iran operation, which Casey would be questioned about at the congressional hearings Friday. Meese yesterday gingerly answered some questions that could figure in future legal proceedings such as congressional and criminal probes.

For example, referring to the profits that were apparently used to help the Nicaraguans rebels, Meese said, "We have no control over that money. It was never United States funds, it was never the property of United States officials, so we have no control over that whatsoever."

Meese said his review would attempt to determine whether the secret transfer of funds to the Nicaraguan rebels had violated the congressional ban on aiding the contras, which was recently lifted when Congress approved \$100 million in military and other aid. Whether the law was violated "depends on two things," he said, "precisely what was done and precisely who did it, in terms of what people are United States officials, or United States citizens, actually participated, and what their conduct was. That's what we're still looking at."

Asked how the administration would try to restore its credibility with Congress, Meese said it would "tell them exactly what happened" and added, "I don't think anyone can be responsible if someone on the lower echelons of government does something that we don't feel... or that objectively viewed is not correct." He called the Nicaraguan connection an "aberration" from the policy Reagan had set toward Iran, "not an inherent part of anything having to do with the policy itself."

they were surprised by yesterday's disclosures. "Flabbergasted," one aide said. "What a mess," another sighed.

Chief of staff Regan, who sought to exert control over most aspects of White House operations during the entire time that the Iran and Nicaraguan operations unfolded, remained out of the limelight yesterday.

Poindexter could not be reached for comment yesterday.

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TRANSCRIPT OF ATTORNEY GENERAL MEESE'S NEWS CONFERENCE

How did it come to your attention?

♦ In the course of a thorough review of a number of intercepts, and other materials, this—the hint of a possibility that there was some monies being made available for some other purpose came to our attention, and then we pursued that with the individuals involved.

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